

Koninklijke DSM N.V. Annual General Meeting 2022

Type of meeting	AGM
Date	14:00h CEST, May 10 th , 2022
Location	Virtual Shareholder Meeting
Speaker	Michiel van Esch (Robeco)
Opt-in members	Robeco, APG, Achmea Investment Management, Triodos and MN

Attendance AGM 77,93% of stock of outstanding stock represented

		Result (%)		
	Agenda items	Vote	V	T O
1.00	Opening			
2.00	Presentation of Management Board Report			
3.00	Remuneration Report		95,35%	
4.00	Accounts and Reports		99,29%	
5.01	Reserves and Dividend Policy			
5.02	Allocation of Profits/ Dividends		100%	
6.01	Ratification of Management Board Acts		97,71%	
6.02	Ratification of Supervisory Board Acts		97,68%	
7.00	Elect Geraldine Matchett to the Management Board		99,99%	
8.00	Elect Eileen T. Kennedy to the supervisory Board		98,50%	
9.00	Appointment of Auditor		99,59	
10.01	Authority to Issue Shares w/o Preemptive Rights		96,62	
10.02.	Authority to Issue Shares w/ Preemptive Rights in connection with a Rights Issue		98,89	
11.00.	Authority to Repurchase shares		99,07	
12.00	Cancellation of Shares		99,44	
13.00	Other Business			
14.00	Voting Results			
15.00	Closing of Meeting			

Agenda item 2: Presentation of Management Board Report.

My name is Michiel van Esch, I work at Robeco and today I also represent a group of other institutional investors being: APG, Achmea Investment Management, Triodos and MN.

First of all, it is good to be here. I am glad that we can meet again in person, after two AGMs with alternative meeting set ups. Looking back on the last year, DSM made further progress on delivering its updated strategy, made their sustainability targets more ambitious and concrete, while managing the company through a very difficult economic and societal environment. That deserves a compliment. My questions are on DSM's financial outlook, and its approach to climate change.

In your co-CEO letter, it is mentioned that inflationary pressures required pricing action last year and that positive results can already be noticed since the Q4 cash flow figures. Can you further elaborate on your expectations for long term inflation and its effects on Free Cash Flow and profitability? What can management do to make sure that inflationary pressures on the cost side do not surpass DSM's ability to step up pricing actions?

Co-CEO Matchett explains that DSM has given guidance that for the full year 2022 prices are expected to significantly rise, at least 5%, and that the conflict in Ukraine is estimated will add another 2-3% to inflation. Management can anticipate price level increases before the cost pressure substantiates. There is a time lag between price levels and when inflation translates into price agreements and costs. This allows management to take pricing actions where needed in a timely fashion.

My next question is about the company's climate ambition. Last year DSM further enhanced their climate ambition, with an absolute reduction target of 50% for scope 1 and 2 emissions and a scope 3 intensity reduction target of 28% by 2030. We are happy to see that step up. Can you explain what Net Zero means for DSM in practice for the over the longer run by 2050? For example, do you expect to need carbon off sets? Is there a concrete road map for the longer run, between the 2030 and 2050 targets? And finally, can you explain why DSM has chosen for an intensity target for scope three emissions rather than an absolute target?

Co-CEO de Vreeze mentions that the world will be fully different by 2050 and that it is likely that a different management team will be in charge of DSM. Therefore, management wants to be concrete and ambitious in their targets for 2030 as those are in the scope of their control. There might be need for some carbon offsetting even though that is not for seen at this point. DSM (like many other companies) is on a learning trajectory in their climate transition, but there is a clear road map.

DSM has decided to use an intensity target rather than an absolute target because this is the guidance of the SBTi (Science Based Targets initiative) methodology. DSM wants to follow one of the most widely accepted frameworks for their targets.

Agenda item 3: Remuneration report

We note that all financial KPI's have been achieved with a significant outperformance against the set targets. Can the remuneration committee explain how targets are set? Is the trend of previous years taken as a proxy? Or are changes in economic conditions, and changes in product portfolio also taken into account? Next year the remuneration policy will be up for a vote and a review will be done. As in previous policy updates we are willing to provide feedback on a draft updated plan. In our opinion DSM updated sustainability ambitions should be further embedded in the long term incentive plan. Additionally, DSM remuneration practices have always stressed moderation. We hope that this quality of the policy can remain intact, whilst also addressing the challenges around talent attraction and retention. We are looking forward to being part of your consultations.

The Chair of the remuneration committee explains the structure of the remuneration policy. DSM maintains a balanced score card for both the STI and the LTI having 50% of targets associated with financial KPI's and 50% with less conventional performance metrics including ESG targets. The chair confirms that target setting requires judgement for which everything is taken 'into the mix', including past performance, economic outlook and changes to business conditions. DSM has spent quite some effort to further improve disclosures on their remuneration KPI's and performance reporting. The chair welcomed our invitation for further discussions in the preparation of an updated remuneration policy for next year.